

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2015 AND 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-9
Financial Statements:	
	<u>Exhibit</u>
Statements of Net Position	A 10
Statements of Revenues, Expenses, and Changes in Net Position	B 11-12
Statements of Cash Flows	C 13
Notes to Financial Statements	14-23
Required Supplementary Information:	
Schedule of the Agency's Proportionate Share of the Net Pension Liability	25
Schedule of Agency Contributions	26
Notes to Required Supplementary Information – Pension Liability	27
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings	30-32

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve Leng	Chairperson	City of Hartley
Kelly O'Brien	Vice-Chairperson	City of Sanborn
Rodd Holtkamp	Member	City of Primghar
Mike Otto	Member	City of Paullina
Jim Thompson	Member	At Large

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

Independent Auditor's Report

To the Members of Community Cable
Television Agency of O'Brien County:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, The Community Agency adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Association's Proportionate Share of the Net Pension Liability and the Schedule of Association Contributions information on pages 6 through 9 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Hungelman, Putzier & Co., PLLC

March 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Community Cable Television Agency of O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Agency's operating revenues increased 6.14%, or \$172,787, from fiscal 2014 to fiscal 2015.

The Agency's operating expenses increased 7.69%, or \$177,906, from fiscal 2015 than in fiscal 2014.

The Agency's net position decreased 8.33%, or \$121,346, from June 30, 2014, to June 30, 2015.

USING THIS ANNUAL REPORT

Community Cable Television Agency of O'Brien County is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Community Cable Television Agency of O'Brien County's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Landfill's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal 2015 totaled approximately \$1,336,000. This compares to approximately \$1,458,000 for fiscal 2014.

FINANCIAL ANALYSIS OF THE AGENCY - Continued

Condensed Balance Sheets - Continued

A summary of the Agency's net position is presented below.

Net Position

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
		(Not restated)
Current assets	\$ 775,022	\$ 626,657
Non-current assets	<u>1,173,507</u>	<u>1,099,314</u>
Total assets	<u>1,948,529</u>	<u>1,725,971</u>
Deferred outflows of resources	<u>51,256</u>	<u>-</u>
Current liabilities	188,236	145,202
Long-term liabilities	<u>380,487</u>	<u>123,193</u>
Total liabilities	<u>568,723</u>	<u>268,395</u>
Deferred inflows of resources	<u>94,832</u>	<u>-</u>
Net position:		
Invested in capital assets	673,507	599,314
Restricted	500,000	500,000
Unrestricted	<u>162,723</u>	<u>358,262</u>
Total net position	<u>\$ 1,336,230</u>	<u>\$ 1,457,576</u>

The invested in capital assets (50%, e.g., buildings and equipment) are resources allocated to capital assets. The restricted component (38%) is the amount required to be set aside by each member city's bond resolution. The remaining amount (12%) is unrestricted that can be used to meet the Agency's obligations as they come due.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position was restated \$310,293 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are received for operating and maintaining jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities. Operating expenses are expenses paid to provide these services and operate the Agency. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014, is presented below:

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position- (Continued)

<u>Statements of Revenues, Expenses, and Changes in Net Position</u>		
	<u>Year Ended June 30,</u>	
<u>OPERATING REVENUES</u>	<u>2015</u>	<u>2014</u>
		(Not restated)
Cable revenue	\$ 1,149,250	\$ 1,080,723
Telephone revenue	927,460	895,979
Carrier access fee revenue	90,897	112,058
Internet revenue	725,829	658,406
Modem purchases and rentals	51,801	47,403
Other operating revenues	40,925	18,806
Total operating revenues	<u>2,986,162</u>	<u>2,813,375</u>
 <u>OPERATING EXPENSES</u>		
Cost of services	1,257,271	1,063,626
Salaries and benefits	596,828	593,289
Repairs and maintenance	237,816	275,646
Depreciation	143,659	140,096
Utilities	52,054	50,338
Other	204,126	190,853
Total operating expenses	<u>2,491,754</u>	<u>2,313,848</u>
 Operating income	 494,408	 499,527
 <u>NONOPERATING REVENUES</u>		
Interest on investments	<u>5,683</u>	<u>5,117</u>
 Changes in net position	 500,091	 504,644
Net position beginning of year, as restated	1,147,283	1,282,633
Residual equity transfers to member cities	<u>(311,144)</u>	<u>(329,701)</u>
Net position end of year	<u>\$ 1,336,230</u>	<u>\$ 1,457,576</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal 2015, operating revenues increased by 6.14% or \$172,787. This increase was due primarily to increased sales of internet and cable to rural customers.

Operating expenses increased by 7.69%, or \$177,906 primarily due to increases in cost of services.

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes fees for providing services reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets and the return of capital to member cities. Cash provided by investing activities includes the purchase and sale of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2015 the Agency had approximately \$674,000 invested in capital assets, net of accumulated depreciation of approximately \$812,000. Depreciation expense totaled \$143,659 for fiscal year 2015. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

Community Cable Television Agency of O'Brien County's financial position improved during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities at the Agency require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Continuous predatory pricing pressure by the Agency's competitors is of great concern and will continue to be monitored by the Agency.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues and ever changing regulations.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or additional financial information is needed, contact Community Cable Television Agency of O'Brien County, 102 South Eastern Street, Sanborn, IA 51248.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

Exhibit A

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 700,894	\$ 557,923
Temporary cash investments-unrestricted	600	559
Accounts receivable - customers, less allowance for doubtful accounts of \$0 in 2015 and 2014	10,738	14,100
Accounts receivable - access fees	15,301	23,311
Accounts receivable - other	6,768	7,215
Accrued interest receivable	349	328
Prepaid expenses	40,372	23,221
Total current assets	<u>775,022</u>	<u>626,657</u>
Non-current assets:		
Cash and cash equivalents-restricted	200,000	200,000
Temporary cash investments-restricted	300,000	300,000
Capital assets at cost, net of accumulated depreciation (Note 4)	632,446	558,253
Construction work in progress	41,061	41,061
Total non-current assets	<u>1,173,507</u>	<u>1,099,314</u>
Total assets	<u>1,948,529</u>	<u>1,725,971</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related deferred outflows	<u>51,256</u>	<u>-</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	137,840	103,047
Accrued payroll and payroll taxes	13,767	9,927
Accrued vacation	12,245	8,450
Accrued property taxes	3,592	4,768
Customer prepayments	2,662	2,620
Customer deposits	18,130	16,390
Total current liabilities	<u>188,236</u>	<u>145,202</u>
Long-term liabilities		
Long-term sick leave liability (Note 6)	132,993	123,193
Net pension liability	247,494	-
Total long-term liabilities	<u>380,487</u>	<u>123,193</u>
Total liabilities	<u>568,723</u>	<u>268,395</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension related deferred inflows	<u>94,832</u>	<u>-</u>
<u>NET POSITION</u>		
Net invested in capital assets	673,507	599,314
Restricted	500,000	500,000
Unrestricted	162,723	358,262
Total net position (Note 5)	<u>\$ 1,336,230</u>	<u>\$ 1,457,576</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

Exhibit B

	<u>2015</u>	<u>2014</u>
<u>OPERATING REVENUES</u>		
Cable revenue	\$ 1,149,250	\$1,080,723
Telephone revenue	927,460	895,979
Carrier access fee revenue	90,897	112,058
Internet revenue	725,829	658,406
Modem purchases and rentals	51,801	47,403
Other operating revenues	40,925	18,806
Total operating revenues	<u>2,986,162</u>	<u>2,813,375</u>
<u>OPERATING EXPENSES</u>		
Cable services	910,976	800,619
Telephone services	43,143	40,007
Internet services	198,552	131,085
Billing and support fees	104,600	91,915
Salaries	437,138	412,569
Employee benefits	159,690	180,720
Repairs and maintenance	237,816	275,646
Oil and gas	16,841	17,773
Advertising and marketing	30,907	38,861
Professional fees	45,562	26,171
Property taxes	3,592	4,768
Utilities	52,054	50,338
Postage and shipping	2,479	2,191
Office supplies	2,254	1,920
Meeting expenses	649	1,078
Insurance	28,101	27,119
Operating supplies	1,209	1,003
Depreciation	143,659	140,096
Equipment rental	190	715
Telephone	10,727	9,383
Service agreements	40,967	37,341
Education and training	315	-
Bad debt expense	11,988	10,643
Dues and subscriptions	1,125	710
Board fees	2,750	2,950
Miscellaneous	4,470	8,227
Total operating expenses	<u>2,491,754</u>	<u>2,313,848</u>
Operating income	<u>494,408</u>	<u>499,527</u>

(Continued)

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

Exhibit B
(Continued)

	<u>2015</u>	<u>2014</u>
<u>NONOPERATING REVENUES</u>		
Interest income	<u>\$ 5,683</u>	<u>\$ 5,117</u>
Changes in net position	500,091	504,644
Net position beginning of year, as restated	1,147,283	1,282,633
Residual equity transfers to member cities	<u>(311,144)</u>	<u>(329,701)</u>
Net position end of year	<u>\$ 1,336,230</u>	<u>\$ 1,457,576</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

Exhibit C

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 2,999,764	\$ 2,836,695
Cash payments to suppliers for goods and services	(1,734,802)	(1,580,081)
Cash payments to employees for services	<u>(598,617)</u>	<u>(597,635)</u>
Net cash provided by operating activities	<u>666,345</u>	<u>658,979</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payment to member cities	(311,144)	(329,701)
Acquisition of capital assets	<u>(217,852)</u>	<u>(11,000)</u>
Net cash used in capital and related financing activities	<u>(528,996)</u>	<u>(340,701)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(300,600)	(300,559)
Proceeds from sale of investments	300,559	300,000
Interest on investments	<u>5,663</u>	<u>5,935</u>
Net cash provided by investing activities	<u>5,622</u>	<u>5,376</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	142,971	323,654
Cash and cash equivalents at beginning of year	<u>757,923</u>	<u>434,269</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 900,894</u>	<u>\$ 757,923</u>
<u>RECONCILIATION OF CASH & CASH EQUIVALENTS</u>		
Unrestricted	\$ 700,894	\$ 557,923
Restricted	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 900,894</u>	<u>\$ 757,923</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 494,408	\$ 499,527
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	143,659	140,096
Changes in assets and liabilities:		
Decrease in accounts receivable	11,821	33,268
Increase in prepaid expenses	(17,151)	(7,392)
Increase in accounts payable	34,790	9,145
Increase (decrease) in other liabilities	18,041	(15,665)
Decrease in net pension liability	(99,265)	-
Increase in deferred outflows of resources	(14,790)	-
Increase in deferred inflows of resources	<u>94,832</u>	<u>-</u>
Total adjustments	<u>171,937</u>	<u>159,452</u>
Net cash provided by operating activities	<u>\$ 666,345</u>	<u>\$ 658,979</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies

Community Cable Television Agency of O'Brien County (the Agency) was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency was formed to manage, administer, operate and maintain jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities.

The Agency is governed by a Board consisting of five representatives serving on staggered six-year terms. There is one representative from each of the following governmental entities: the City Council of Primghar, the Board of Trustees of the Sanborn Electric and Telecommunications Utility, the City Council of Hartley, and the City Council of Paullina. The fifth representative is appointed by mutual agreement of the majority of the representatives from the governmental entities noted above.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organization, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

The following accounting policies are followed in preparing the statements of net position:

Cash and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 and 2014, include restricted certificates of deposit of \$300,000.

Restricted Cash and Cash Equivalents - Amounts required to be set aside for each city's bond resolution up to a maximum amount of \$500,000.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is being depreciated over a five to ten year life.

Deferred Outflow of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015 and 2014.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources the financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. Cash, Cash Equivalents and Investments

The Agency's deposits in banks at June 30, 2015 and 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3 as amended by Statement Number 40.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

3. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, or any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. Pension Plan – (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's total contributions to IPERS for the year ended June 30, 2015 were \$37,644.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency reported a liability of \$247,494 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.0062405 percent which was an increase of 0.0002012 percent from its proportion measured as of June 30, 2013.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. Pension Plan – (Continued)

For the year ended June 30, 2015, the Agency recognized pension expense of \$18,421. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,690	
Changes of assumptions	10,922	-
Net difference between projected and actual earnings on pension plan investments	-	94,387
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	445
Agency contributions subsequent to the measurement date	<u>37,644</u>	<u>-</u>
Total	<u>\$ 51,256</u>	<u>\$ 94,832</u>

\$37,644 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (20,520)
2017	(20,520)
2018	(20,520)
2019	(20,520)
2020	<u>860</u>
	<u>\$ (81,220)</u>

There were no non-employer contributing entities at IPERS.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. Pension Plan – (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. Pension Plan – (Continued)

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Agency's proportionate share of the net pension liability:	\$ 467,634	\$ 247,494	\$ 61,674

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, there were no payables for the end of the year.

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Construction work in progress	\$ 41,061	\$ -	\$ -	\$ 41,061
Capital assets being depreciated:				
Furniture and equipment	\$ 1,226,443	\$ 217,852	\$ -	\$ 1,444,295
Less amortization and depreciation	668,190	143,659	-	811,849
Total capital assets, net	\$ 558,253	\$ 74,193	\$ -	\$ 632,446

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Construction work in progress	\$ 41,061	\$ -	\$ -	\$ 41,061
Capital assets being depreciated:				
Furniture and equipment	\$ 1,215,443	\$ 11,000	\$ -	\$ 1,226,443
Less amortization and depreciation	528,094	140,096	-	668,190
Total capital assets, net	\$ 687,349	\$ (129,096)	\$ -	\$ 558,253

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. Net Position

Net assets as of June 30, 2015 are allocated to the members as follows:

	<u>Hartley</u>	<u>Paullina</u>	<u>Primghar</u>	<u>Sanborn</u>	<u>Total</u>
Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2014	123,671	189,073	268,747	248,664	830,155
Change in net position July 1, 2014 to June 30, 2015	135,266	118,026	141,133	105,666	500,091
Residual equity transfers	<u>(112,806)</u>	<u>(86,567)</u>	<u>(60,000)</u>	<u>(51,771)</u>	<u>(311,144)</u>
Retained earnings at June 30, 2015	<u>146,131</u>	<u>220,532</u>	<u>349,880</u>	<u>302,559</u>	<u>1,019,102</u>
Total net position at June 30, 2015	<u>\$ 247,098</u>	<u>\$ 293,871</u>	<u>\$ 408,911</u>	<u>\$ 386,350</u>	<u>\$ 1,336,230</u>
Accrual basis net position:					
Invested in capital assets	\$ 217,179	\$ 150,913	\$ 126,424	\$ 178,991	\$ 673,507
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	<u>(131,311)</u>	<u>30,923</u>	<u>188,632</u>	<u>74,479</u>	<u>162,723</u>
	<u>\$ 247,098</u>	<u>\$ 293,871</u>	<u>\$ 408,911</u>	<u>\$ 386,350</u>	<u>\$ 1,336,230</u>

Net assets as of June 30, 2014 are allocated to the members as follows:

Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2013	202,705	229,725	262,477	270,598	965,505
Change in net position July 1, 2013 to June 30, 2014	135,729	117,042	142,380	109,493	504,644
Residual equity transfers	<u>(114,706)</u>	<u>(88,167)</u>	<u>(77,865)</u>	<u>(48,963)</u>	<u>(329,701)</u>
Retained earnings as restated at June 30, 2014	<u>223,728</u>	<u>258,600</u>	<u>326,992</u>	<u>331,128</u>	<u>1,140,448</u>
Total net position at June 30, 2014 (Not restated)	<u>\$ 324,695</u>	<u>\$ 331,939</u>	<u>\$ 386,023</u>	<u>\$ 414,919</u>	<u>\$ 1,457,576</u>
Accrual basis net position:					
Invested in capital assets	\$ 193,255	\$ 134,288	\$ 112,497	\$ 159,274	\$ 599,314
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	<u>(29,790)</u>	<u>85,616</u>	<u>179,671</u>	<u>122,765</u>	<u>358,262</u>
	<u>\$ 324,695</u>	<u>\$ 331,939</u>	<u>\$ 386,023</u>	<u>\$ 414,919</u>	<u>\$ 1,457,576</u>

Amounts restricted for debt service consist of amounts required to be set aside by each city's bond resolution up to a maximum amount of \$500,000.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. Long-Term Sick Leave Liability

The Agency's sick leave policy provides that any full-time employee who elects to take retirement on IPERS or Social Security and has completed 180 months or more of continuous service to the Agency shall be compensated for up to 120 days of unused sick leave or prorated to the number of years of employment.

This accumulated benefit obligation was \$132,993 and \$123,193 for the years ended June 30, 2015 and 2014, respectively. The discount rate used in determining the present value of the accumulated postretirement benefit is 6.00%.

7. Other Postemployment Benefits (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 7 active members and no retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees which results in an implicit subsidy and an OPEB liability. Management has determined, however, that any OPEB liability would be immaterial with respect to the financial statements and no liability has been recorded

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the Agency was \$1,192 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2015, the Agency contributed \$97,359 to the plan.

8. Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

9. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

10. Significant Area Concentration of Credit Risk

The Agency extends credit to its customers on terms no more favorable than standard terms of the industry it serves. The Agency's customers are located in the four member cities. The Agency's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014 as previously reported	\$ 1,457,576
Net pension liability at June 30, 2014	(346,759)
Change outflows of resources related contributions made after the June 30, 2013 measurement date	<u>36,466</u>
Net position July 1, 2014, as restated	<u>\$ 1,147,283</u>

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Agency's proportion of the net pension liability (asset)	0.0062405%
Agency's proportionate share of the net pension liability	\$ 247,494
Agency's covered-employee payroll	\$ 408,345
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF AGENCY'S CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 37,644	\$ 36,466	\$ 34,342	\$ 31,603	\$ 25,208	\$ 23,478	\$ 21,165	\$ 19,141	\$ 17,942	\$ 16,562
Contributions in relation to the statutorily required contribution	<u>(37,644)</u>	<u>(36,466)</u>	<u>(34,342)</u>	<u>(31,603)</u>	<u>(25,208)</u>	<u>(23,478)</u>	<u>(21,165)</u>	<u>(19,141)</u>	<u>(17,942)</u>	<u>(16,562)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 421,545	\$ 408,345	\$ 396,099	\$ 391,605	\$ 362,699	\$ 353,047	\$ 333,303	\$ 316,376	\$ 312,034	\$ 288,040
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO OTHER INFORMATION – PENSION LIABILITY
JUNE 30, 2015 AND 2014

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community Cable Television Agency of O'Brien County (the Agency) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated March 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Agency's internal control described in Part I of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's Responses to the Findings

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hummelman, Putzier & Co., PLC

March 9, 2016

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDING JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Agency at certain times:

1. Accounting system - performance of all general accounting functions.
2. Receipts - collecting, depositing, journalizing, and posting.
3. Utility receipts - billing, collecting, depositing, posting, and reconciling.
4. Disbursements - preparing, recording, and reconciling.
5. Financial reporting - preparing, reconciling, and distributing.
6. Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - As to the concern about not being enough segregation of duties among the employees in the aspect of internal accounting control. More than one person has control as follows:

1. Accounting system is the responsibility of the Office Manager and is overseen by the General Manager.
2. Receipts:
 - a. Cash and checks are verified and date-stamped by the Front Desk CSR.
 - b. Monies are given to the Office Assistant for posting to the customer account.
 - c. Office Assistant prepares the deposit.
 - d. Office Manager posts to accounting system and deposits at bank.
3. Utility receipts:
 - a. Each office person does billing.
 - b. Each city and office person does collecting and payments are recorded. See No. 2 for Depositing and Posting.
 - c. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
4. Disbursements:
 - a. The Office Manager does preparation and recording. Then all disbursements are approved by the General Manager before final approval by the Board of Directors for The Community Agency.
 - b. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
5. All financial reporting is prepared by the Office Manager and is reviewed by the General Manager and the Board of Directors.
6. The computer usage is monitored and controlled by the General Manager.

Conclusion - Response accepted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDING JUNE 30, 2015

Part I: Findings Related to the Financial Statements – (Continued):

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management, while knowledgeable and skillful, does not have the time to maintain the current knowledge and expertise to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – The Management of TCA acknowledges that we do not have a certified public accountant (CPA) on staff to create the financial statements required by the GAAP (Generally Accepted Accounting Principles). We do rely on our Auditor to make sure that we are in compliance with these standards. The Board of TCA may feel that it is necessary to employ a CPA to prepare the financial statements in this manner at some point.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (2) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDING JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting – (Continued):

- (5) Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- (6) Bond Coverage – Surety bond coverage of officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.